

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 XMB-02

FTC-01 OPIC-03 /092 W

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R 201104Z AUG 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 769

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E. O. 11652: N/A

TAGS: EFIN, EIND, EINV, NI

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REFS: A) STATE 165596

B) LAGOS 10787 (10/22/74)

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1. RELIABLE OFFICIAL STATISTICS ON FOREIGN INVESTMENT IN NIGERIA HAVE NEVER BEEN PUBLISHED ON A CURRENT BASIS. IN ADDRESSING QUESTION OF SIZE OF U.S. DIRECT INVESTMENT IN THIS COUNTRY, EMBASSY HAS HAD TO MAKE ESTIMATES, BASED ON INFORMATION PROVIDED BY AMERICAN BUSINESSMEN.

2. AMOUNT OF U.S. DIRECT INVESTMENT IN NIGERIA IS GENERALLY ACCEPTED AS APPROXIMATELY \$ONE BILLION, A FIGURE WE BELIEVE MAY BE SOMEWHAT CONSERVATIVE. HOWEVER, WE ARE CONCERNED THAT CAREFUL DISTINCTION IS NOT ALWAYS MADE BETWEEN GROSS VALUE AND NET BOOK VALUE OF INVESTMENT. WE AND COMPANIES DEFINE FORMER TO INCLUDE MOST EXPENSES CONNECTED WITH A PROJECT FROM

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INCEPTION TO PRESENT TIME, EXCEPT SALARIES AND OTHER PERSONAL

EMOLUMENTS. NET BOOK VALUE, ON OTHER HAND, IS DEFINED TO MEAN CURRENT VALUE OF ASSETS OR THAT FOR WHICH THE ENTERPRISE COULD REASONABLY BE EXPECTED TO BE SOLD UNDER NORMAL MARKET CONDITIONS.

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3. BASED PRIMARILY ON DISCUSSIONS EMBOFFS HAD IN NOVEMBER (REF B) WITH THREE LARGEST DIRECT US INVESTORS IN NIGERIA, MOBIL, GULF AND PHILLIPS, WE NOW ESTIMATE THAT GROSS US DIRECT INVESTMENT IN NIGERIA IS IN EXCESS OF \$ONE BILLION AND THAT NET BOOK VALUE OF US DIRECT INVESTMENT IN NIGERIA IS APPROXIMATELY \$500 MILLION. ALTHOUGH COMBINED GROSS INVESTMENT OF THE THREE AMOUNTED TO \$893 MILLION THEIR NET BOOK VALUE TOGETHER AT THE TIME WAS ONLY \$307 MILLION. WE RECKON THAT MOBIL, GULF AND PHILLIPS ACCOUNT FOR ABOUT THREE QUARTERS OF NET BOOK VALUE OF US PETROLEUM INVESTMENT IN NIGERIA AND THAT PETROLEUM INVESTMENT AMOUNTS TO APPROXIMATELY 80PC OF TOTAL US DIRECT INVESTMENT IN THIS COUNTRY.

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4. EMBASSY ESTIMATE OF NET BOOK VALUE OF US DIRECT INVESTMENT IN NIGERIA AT END 1974 AS FOLLOWS:

MINING AND SMELTING	- 0
PETROLEUM	- \$400 MILLION
MANUFACTURING	- \$ 40 MILLION
OTHER	- \$ 60 MILLION
TOTAL	\$500 MILLION

5. WE HAVE BEEN UNABLE TO TURN UP EVEN ROUGH ESTIMATES OF DIRECT FOREIGN INVESTMENT IN NIGERIA BY OTHER COUNTRIES AND THUS CANNOT ESTIMATE TOTAL FOREIGN DIRECT INVESTMENT IN THIS COUNTRY.

6. WE KNOW OF NO NIGERIAN DIRECT INVESTMENT IN U.S.

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7. INVESTMENT NARRATIVE FOLLOWS:

SPURRED BY PETROLEUM REVENUES THE NIGERIAN GDP IS EXPECTED THIS FISCAL YEAR (APRIL 1975 - MARCH 1976) TO REACH \$25.4 BILLION AND TO GROW AT AN ANNUAL RATE OF 9.5PC OVER THE LAST HALF OF THIS DECADE. IN PURSUIT OF NIGERIA'S PRIME ECONOMIC GOAL - DEVELOPMENT - \$50 BILLION IN CAPITAL EXPENDITURES WILL BE MADE DURING THE 1975-80 THIRD NATIONAL DEVELOPMENT PLAN. VASTLY INCREASED GOVERNMENT SPENDING,

WHICH LED TO A 91.3PC GROWTH IN MONEY SUPPLY IN THE YEAR  
ENDING APRIL, ALONG WITH PAY RAISES EARLIER THIS YEAR OF  
100PC AND MORE AND MASSIVE PORT CONGESTION HAVE BEEN PRIME  
CONTRIBUTORS TO AN INFLATION RATE CURRENTLY ESTIMATED AT  
30-40PC. A SECONDARY CONSEQUENCE OF THE PAY RAISES IS THAT  
NIGERIAN LABOR IS NO LONGER LOW COST. THE BANKING SYSTEM'S  
EXCESS LIQUIDITY PROMPTED MONETARY AUTHORITIES IN APRIL TO  
LOWER INTEREST RATES TO A MAXIMUM 9PC AND STRONGLY TO  
ENCOURAGE BORROWERS TO RAISE FUNDS LOCALLY RATHER THAN ABROAD.

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R 201104Z AUG 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 770

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DESPITE THE FMG'S DESIRE TO CONTROL THE COMMANDING  
HEIGHTS OF THE ECONOMY, THERE ARE AMPLE OPPORTUNITIES FOR  
PROFITABLE FOREIGN INVESTMENT IN NIGERIA AND THE GOVERNMENT  
WELCOMES IT. IN ADDITION TO RESERVING TO ITSELF OIL,  
NATURAL GAS, STEEL AND OTHER STRATEGIC INDUSTRIES, THE FMG  
HAS NEGOTIATED SIZEABLE MINORITY SHARES IN EXPATRIATE BANKING  
AND INSURANCE COMPANIES, HAS RESTRICTED 22 SMALL SCALE  
ENTERPRISES TO FULL NIGERIAN OWNERSHIP AND HAS STIPULATED  
MINIMUM 40PC NIGERIAN EQUITY IN 33 MEDIUM SCALE ENTERPRISES.  
FOREIGNERS CONTEMPLATING INVESTMENT IN NIGERIA SHOULD BE  
PREPARED TO DO SO WITH LOCAL PARTNERSHIP, ALTHOUGH MAJORITY  
CONTROL IS OFTEN VESTED IN THE FOREIGN PARTNER. VIEWED WITH

PARTICULAR FAVOR BY THE FMG ARE NEW INVESTMENTS WHICH BOAST HIGH TECHNOLOGY, WHICH UTILIZE LOCAL RAW MATERIALS AND WHICH INCLUDE TRAINING PROGRAMS GEARED TOWARD THE EARLY REPLACEMENT OF EXPATRIATE TECHNICAL AND MANAGERIAL EXPERTISE WITH INDIGENOUS TALENT. ALSO SINCE A HIGH PERCENTAGE OF THE FOREIGN INVESTMENT IN THIS COUNTRY IS CONNECTED WITH PETROLEUM, THE GOVERNMENT IS PARTICULARLY ANXIOUS TO ACHIEVE GREATER DIVERSIFICATION. DEVELOPMENT OF EXPORT INDUSTRIES IS GIVEN LIMITED OFFICIAL USE

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LOWER PRIORITY THAN IMPORT SUBSTITUTION.

THE FMG OFFERS NO SPECIAL INCENTIVES TO FOREIGN INVESTORS. HOWEVER, IT HAS SHOWN A TENDENCY TO OFFER TARIFF PROTECTION TO LOCAL INDUSTRIES AND UNDER ITS PIONEER INDUSTRIES ACT, WHICH APPLIES TO PRIVATE INVESTMENT FROM BOTH FOREIGN AND DOMESTIC SOURCES, OFFERS SUCH INCENTIVES AS TAX HOLIDAYS, CONCESSIONARY TARIFF RATES AND ACCELERATED DEPRECIATION. ALL FOREIGN COMPANIES IN NIGERIA MUST BE INCORPORATED LOCALLY. PRIOR TO INCORPORATION, THE POTENTIAL INVESTOR MUST NEGOTIATE AN EXPATRIATE QUOTA AND SHOULD EXPECT CLOSE MINISTRY OF FINANCE SCRUTINY OF PROPOSED OVERSEAS LOANS OR REMITTANCES FOR ROYALTY, LICENSE AND OTHER FEES. ONCE AGREEMENT IS REACHED HOWEVER, THE INVESTOR IS ALL BUT GUARANTEED THAT FUTURE REQUESTS TO TRANSFER FUNDS WILL BE APPROVED ROUTINELY.

NIGERIA'S RELATIONS OVER THE YEARS WITH FOREIGN INVESTORS HAVE BEEN GOOD. THE GOVERNMENT FREQUENTLY POINTS TO THIS RECORD IN ATTEMPTING TO STIMULATE NEW FOREIGN INVESTMENT. FURTHER EVIDENCE OF ITS DESIRE FOR NEW FOREIGN INVESTMENT, PARTICULARLY AMERICAN, WAS GIVEN BY ITS AGREEMENT EARLIER THIS YEAR TO RE-ESTABLISH AN INVESTMENT GUARANTEE (OPIC) PROGRAM, TO GO ALONG WITH THE DOUBLE TAX TREATY THE U.S. ENJOYS WITH NIGERIA.

THE FOREGOING WAS PREPARED PRIOR TO THE JULY 29 COUP WHICH RESULTED IN A CHANGE OF GOVERNMENT. WHILE CHANGES MAY BE EXPECTED, THE EMBASSY HAS NO REASON TO LOOK FOR MAJOR MODIFICATION OF THE NIGERIAN ATTITUDE TOWARDS FOREIGN INVESTMENT.  
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## Message Attributes

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